

IRS Oversight Board

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Media Contact:
Joelle Jordan/202-622-9931

IRS Oversight Board Reviews Private Debt Collection Status Releases Special Report on IRS FY2008 Budget Calls for Bigger Boosts in Business Systems Modernization and Infrastructure

(Washington, DC) The IRS Oversight Board met on May 1 - 2, 2007 to discuss the status of the IRS Private Debt Collection Program and the IRS FY2009 budget. The Board is also releasing its special report on the IRS FY2008 budget.

Under the IRS Private Debt Collection Program, the IRS uses contractors as an additional resource to help collect unpaid federal taxes. The contractors cannot take enforcement actions, such as issuing liens or levies, but instead they contact taxpayers with assessed tax debt to make installment agreements or arrange for full payment. The program helps the IRS focus its resources on more complex cases where enforcement actions can be a more effective remedy. The American Jobs Act of 2004 allowed the IRS to hire private collection agencies (PCAs).

Competitively-selected companies were awarded contracts and began operating last September. So far, the IRS has turned over to the PCAs 33,824 cases with unpaid taxes totaling \$218 million. As of last month, the participating PCAs collected \$19.47 million in gross revenue. Of that amount, \$15.57 million was collected as revenue sent to the Treasury; the remaining amounts help pay the PCAs. The IRS also retains a fraction of the collections.

The IRS reported that of the cases placed with PCAs, 25 taxpayers who have been contacted by the PCAs, or less than one percent, have filed complaints.

"Overall, this program seems to be working well, although the Board intends to continue to monitor it closely," said Oversight Board Chairman Paul B. Jones. "Through this program, the IRS has found a way to reach a specific segment of taxpayers who have outstanding tax debts."

Board Releases FY2008 IRS Budget Recommendations; Begins Work on FY2009 Budget

At its meeting, IRS Oversight Board continued its work on the IRS FY2009 budget proposal, which is still in its early developmental stage. Currently, Congress is considering the FY2008 budgets of all federal agencies. To provide its perspective on the IRS FY2008 budget, the Board prepared a special report, calling for an \$11.406 billion budget for the agency; an increase of \$310 million more than the President requested and \$808 million over the FY2007 Joint Resolution amount.

Overall, however, the Board and President's budget recommendations are within 2.8 percent of each other. Both are aligned with the IRS' five-year strategic plan, which is critical. This alignment ensures that resources focus on programs that will achieve clear, long-term goals. This is particularly important when discretionary spending is under great constraint.

The Board's recommendation, which was originally submitted to the Treasury Department last June, identified seven program initiatives as having the highest priority, based on their ability to have a long-term impact on reducing the tax gap and meeting IRS strategic goals.

The Board's highest priority items called for increased funding for Business Systems Modernization initiatives, upgrades in information technology infrastructure, computer security enhancements, taxpayer service programs, and tax gap research. The President's budget requested full funding for five of these initiatives; partial funding of Business Systems Modernization, and no funding for operating systems for newly deployed modernized information technology systems.

In addition, both budgets maintain balance between tax code enforcement and taxpayer service. While the Board's budget calls for \$310 million more in enforcement and modernization funding than the President's, both of the budgets support \$20 million increases in taxpayer service initiatives.

"From a private sector perspective, there is much to like in the FY2008 recommendations in both budgets," said Oversight Board Chairman Paul Jones. "Both recognize that modern technology is necessary to boost customer service. There is an acknowledgement that there is a return gained by investing in tax administration. Further, there is a link between an expected level of performance for the resources requested. The Oversight Board fully supports the principles of performance budgeting and believes that alignment of the resource plan with the anticipated level of performance is a critical component to success."

The IRS Oversight Board FY2008 IRS Budget Recommendation Special Report is available on the Board's web site at www.irsoversightboard.treas.gov.

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